Western Canadian Trade Objectives for the next Decade.

WESTERN PREMIERS' CONFERENCE • 1985

Grande Prairie, May 13 - 15, 1985

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WESTERN CANADIAN TRADE OBJECTIVES FOR THE NEXT DECADE

Western Premiers'
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I. INTRODUCTION

The Western Provinces have long recognized the importance of trade policy to Western Canada. In the 1970s, the Governments of British Columbia, Alberta, Saskatchewan, and Manitoba collaborated to identify mutual concerns in, and objectives for, the Tokyo Round of Multilateral Trade Negotiations (MTN). The cooperative effort represented a new and significant development in provincial cooperation and federal/provincial consultations on trade issues.

This document "Western Trade Objectives for the Next Decade" is intended to emphasize the Western Provinces' interest in international trade. It outlines the objectives for a possible new round of multilateral trade negotiations, provides a direction for Canadian trade policies and strategies for the next decade, and expresses Western expectations and concerns surrounding bilateral trade discussions with the United States.

1984 WESTERN PREMIERS' CONFERENCE

At the May 1984 Western Premiers' Conference in Kelowna, British Columbia, the Premiers issued a communique stressing the high priority of international trade to Western Canada. Western concerns with and interests in the future direction of international trade were outlined. The major points included the following:

- Canada must consider trade liberalization a priority especially in the agricultural and upgraded resource sectors where major trade barriers exist.
- Trade discussions with the United States should continue to be pursued especially in sectors of importance to the West.
- The provinces have a unique role to play in fostering increased and improved trade between Canada and the United States.
- Canada must recognize that trade is two-way and resist imposing protectionist barriers against our trading partners.
- Trade relations with Pacific Rim countries must be a priority for Canada.
- Unnecessary impediments to foreign investment must be eliminated.
- The Federal Government must ensure fuller provincial participation in the development of Canadian trade policies, priorities, and strategies.
- The provinces should be fully involved in the preparation for the next round of multilateral trade negotiations including representation on Canadian delegations at various GATT meetings.

II. WESTERN CANADIAN TRADE OBJECTIVES

The 1984 Western Premiers' Communique on international trade provides the building blocks to develop a Canadian trade strategy reflecting the current international trade situation. As this document illustrates, the major trade objective of the Western Provinces is to maintain and improve international market access abroad and reduce consumer costs.

A. MULTILATERAL TRADE NEGOTIATIONS

Canada should support and encourage a new round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). Efforts should be made to ensure that negotiations effectively address trade in agricultural products; resource, manufactured or processed products; and services. The negotiations should also deal with the following issues: safeguard actions, export subsidies, and fuller participation in the GATT by less developed countries (LDCs) and newly industrialized countries (NICs).

The Western Provinces are committed to reducing trade barriers between Canada and its trading partners. Major objectives Western Canada would like the negotiations to achieve include:

- o further reduction of tariff barriers especially in those sectors where tariff rates remain high (eg. agricultural products, petrochemicals and other processed resource products);
- o the reduction and where possible, the elimination of non-tariff barriers including export subsidies, quantitative restrictions (especially in resourced based products) and domestic regulatory measures;
- o improved trade in fisheries products; and
- o measures to maintain and further facilitate trade in services.

Major objectives in agriculture include:

- o a lowering and where possible a removal of tariff and non-tariff barriers by all participants in world food and agriculture trade;
- o a review of domestic agriculture policies for their implications on international trade obligations;
- o improved access for livestock products into the American, Japanese, and other Pacific Rim markets through a reduction in tariffs and the elimination of quantitative restrictions;
- o a strong discipline in the use of export subsidies by major agricultural trading nations, and the European Community in particular; and
- o the reconciliation and standardization of health standards and testing procedures as well as health certifications; especially in certain Asian countries.

Other areas which are a concern to Western Canada are:

- o the procurement policies of the EC, Japan, and the United States' governments, including the "Buy America" legislation; and
- o the threat of countervailing and anti-dumping procedures.

Priority sectors for Western Canada include the following.

1. Agricultural Products

Western Canada has consistently attached great importance to the agriculture sector in trade negotiations. Agriculture constitutes an important part of Canada's balance of trade. As well, a significant proportion of Canadian employment depends on the production, processing and distribution of farm products.

Given the small size of the Canadian market for agriculture products, access to foreign markets is necessary to ensure the growth of this sector. Continued product upgrading and diversification is required to decrease the income fluctuations that have traditionally plagued Western agriculture. Unfortunately for Western Canada, trade barriers tend to increase for natural resource products, including agriculture products, as they are upgraded.

The Tokyo Round of Multilateral Trade Negotiations did not result in major tariff nor non-tariff reductions in agricultural products which benefitted Western Canada. Future negotiations in this sector will be difficult. Compared with other countries, the degree of protection Canada now offers its agricultural sector is relatively low. Therefore, Canada has relatively few trade restrictions to remove in exchange for lower trade barriers elsewhere. However, this state of affairs may provide a basis for an argument by Canada that trade barriers in other countries should be reduced.

2. Resource, Manufactured, or Processed Products

The development of the Western Canadian industrial base will contribute to the diversification and growth of Canada. The greatest prospects for diversification lie in industries which further upgrade resource products prior to export. Some industries stand out as being of interest to the Western Provinces. The orderly removal or reduction of trade barriers affecting them should be an objective for Canada. They include:

- agricultural implements
- energy products
- high technology products
- iron and steel
- lumber and other wood products
- non-ferrous metals
- oilfield equipment
- petrochemicals
- potash
- processed agricultural, food and fish products
- pulp and paper products
- transportation equipment

3. Services

Although the GATT does not specifically deal with trade in services, in certain situations, this type of trade is linked to trade in goods and is, therefore, under the purview of the GATT. Generally, tariffs are not a major impediment to trade in services. Instead, trade in services tends to be impeded by government regulations designed to achieve certain economic, cultural, social, and national security objectives. However, some of these regulations have been designed specifically as protectionist measures. With the growth in services trade, it is highly desirable that the rights and obligations of service suppliers be clearly defined.

Services industries which are important include:

- o agriculture and biotechnology;
- o education services;
- o electronic data processing services;
- o engineering and consulting services;
- o financial services;
- o telecommunications; and
- o transportation services including tourism related activities.

B. THE UNITED STATES

The United States is, and will remain Canada's largest export market. Continued efforts must be taken to improve trading relations with the United States. Discussions should be entered to reduce and where possible, remove trade barriers and ensure unnecessary trade barriers are not imposed. Bilateral discussions with the United States could continue to play a major role in improving and maintaining market access for Canadian exports.

C. THE ASIA-PACIFIC REGION

The Asia-Pacific Region is a developing market which represents major opportunities for Western Canada. Greater effort should be applied to further developing and accessing new markets in this region. Initiatives in the Pacific Rim should also include efforts to encourage countries in this region to become fully committed to the GATT process. Finally, Canada should recognize the importance of two way trade and facilitate the removal of trade barriers to imports from these countries.

D. WESTERN EUROPE

Western Europe remains a significant export market both overall and for particular sectors such as forest products, metals, and feed grains. Care must be exercised in recognizing the relative importance of this relationship and ensuring that trade irritants do not undermine the long and constructive relations between our two economies.

III. BENEFITS OF TRADE LIBERALIZATION

Canadian international competitiveness, on many occassions, is limited by the inability of domestic industries to attain least cost production levels as a result of a small domestic market. In addition to this problem, Western Canada also bears the transportation costs to major markets; even within Canada. Access to large foreign markets, especially the United States and the Asia Pacific region, is vital to the continued growth and development of Western Canada.

Liberalization of international trade will benefit all of Canada through greater economic efficiency, productivity, and growth. The benefits will be realized through increased employment, higher incomes, a stabilizing effect on prices, and a downward pressure on interest rates. The Western Provinces do recognize that freer trade will also impose some costs for Canada. Therefore, the approach and adjustment towards freer trade must be carefully developed and analyzed to prevent any unnecessary hardships on Canadian industries and consumers. The major long-term benefits of freer trade include the following.

A. BENEFITS TO CONSUMERS

The reduction or elimination of Canadian tariff and non-tariff barriers will lower consumer costs, increase consumer choice, and improve the quality of available goods and services. This will occur for both domestic and imported retail products, and material and equipment used in the production of domestic goods.

The increased competition from foreign products would encourage Canadian industries to lower the cost of production and increase efficiency resulting in lower consumer costs and higher quality products. The long-term economic benefit to Canada would be an expansion of domestic economic activity and increased employment opportunities.

B. BENEFITS TO INDUSTRY

Reduction of foreign trade barriers on Canadian processed products would encourage the development of downstream processing. Also, increased availability of competitively priced products which are complementary or inputs to domestic production will benefit Canadian industries.

Trade liberalization will provide increased market access for Canadian industries providing the opportunity for expansion, attaining "economies of scale", and diversification into other product lines. Also by improving market access, trade liberalization lowers the risk to investors expanding into export oriented industries.

Larger market opportunities would allow for product specialization. This would increase labour and capital productivity, and would therefore, lower production costs and increase competitive pricing.

C. DIVERSIFICATION

The Western Provinces have the capability to diversify into new industries, especially resource based manufacturing, agriculture, and food and fish processing. Access to international markets will facilitate these industries in attaining the necessary size of operations and efficiency required to produce competitively.

D. IMPORT REPLACEMENT

As Canadian industries become more competitive with their foreign counterparts, some Canadian industries will see their share of the domestic market grow. New and existing firms producing goods in response to the opportunities resulting from an enhanced market access, will permit import replacement in areas or products previously not produced domestically. Import replacement through the provision of domestically produced competitive goods and services will benefit the Canadian consumer, increase incomes and improve employment opportunities. In addition, it will not result in retaliation or impede Canadian access to foreign markets in the manner that protectionism does.

IV. EMERGING TRADE PRIORITIES

The last few years have seen some important changes in the global economy: a fall in real oil prices (offset for most countries by the rising United States dollar), a slowing of global economic growth and inflation, high unemployment, growing Third World debt, increased protectionism, and the emergence of the Asia-Pacific Region as a major trading region.

An opportunity exists to give new direction to Canada's international trade strategy which will assist in the further development of the Canadian economy and help provide for sustained growth. Through joint federal/provincial efforts, policies can be advanced and measures taken which will enable Canadian consumers and manufacturers to reap the benefits of expanded international trade in the next decade.

A. TRADE POLICY

With the relatively small domestic market of approximately 25 million, access to international markets is important to sustain Canada's growing industries. Unlike countries with large domestic markets, Canada must remain outward looking to maintain a thriving economy. Negotiations on a multilateral or bilateral basis are the most appropriate avenues to achieve access to the markets Canadian producers need to realize least-cost levels of output.

There is a growing likelihood that a new round of Multilateral Trade Negotiations will begin within the next two years. The negotiations will be an important mechanism to diminish the threat of new protectionist measures, and lower the protectionist barriers currently imposed. The new round of Multilateral Trade Negotiations will be larger in scope than the Tokyo Round with possible negotiations on trade in agriculture, trade in services, processed resource products, and government procurement. In addition, negotiations for the reduction of non-tariff barriers will be extremely important; especially since non-tariff barriers have, in some cases, replaced the tariff reductions negotiated during the Tokyo Round.

Canada should continue to honour its GATT commitments. The GATT is the foundation of the international trading system, and continues to play a crucial role in the development of the Western Canadian economy. Canada can play an important role in the expansion of the GATT into agriculture, services, and high technology.

Multilateral trade negotiations remain a priority mechanism to achieve freer trade. However, multilateral trade negotiations could take years to complete once they have been initiated. Therefore, bilateral trade negotiations particularly with the United States could be pursued in parallel with Multilateral Trade Negotiations. Any bilateral agreement must be consistent with Canada's existing multilateral commitments.

The United States is, and will remain Canada's largest trading partner. As a result of the Tokyo Round, by 1987, over 90% of the trade between Canada and

the United States will be subject to tariffs of less than 5 percent. In order for this initiative to remain effective, it is important that non-tariff barriers not be substituted. Maintaining and improving United States market access will provide the Western Provinces with some of the greatest opportunities for trade expansion. While Canada/United States bilateral discussions should be given a high priority, potential agreements must be carefully weighed with respect to the costs and benefits associated with freer and more assured access to the United States' market. In any case, Canada/United States discussions should be based on appropriate domestic consultations with the provinces and industry representatives to ensure desired economic growth opportunities and regional balance occur.

Trade is playing an increasingly important role in the economies of the provinces. It is important that the provinces are effective partners in developing Canada's trade policy.

B. TRADE DEVELOPMENT

Joint federal/provincial planning to coordinate both regional and international trade development programs will help to ensure economic growth throughout Canada and will minimize duplication of effort.

The provision of competitive export financing and information on market opportunities, the encouragement of export consortia, and the continual effort to maintain good international relations and goodwill is required.

Increased trade promotion and marketing efforts to develop new export opportunities are required. Hosting international events such as Expo 86 and the 1988 Winter Olympics is an integral part of developing and maintaining trade relations and markets.

Recognition of the role of government in developing key markets is required, for example, in the Asia Pacific Region. Support for the Asia-Pacific Foundation (established to increase the understanding between Canada and the Asia-Pacific community) will continue to play an important role in expanding market access in this region.

Embassy staffing needs to be reassessed, assigning higher priority to Canadian embassies in regions of growth, especially in the Asia Pacific Region where the greatest requirement for staffing improvements exist.

C. TRADE RELATIONS

The Western Provinces recognize the importance of independence and a national identity but feel these objectives can be attained without alienating neighbouring countries or trading partners. We should work to avoid negative perceptions, whether real or imagined, which may have a major impact on bilateral trade relations.

The Canadian Government has the major responsibility for international trade relations and must reinforce Canada's commitment to the GATT. Foreign policy, international aid, cooperation agreements, etc. all affect the ability of Canadian producers to access markets abroad, or secure foreign contracts. The linkage of cultural and political relations to international trade is important especially in respect of developing countries. Cooperative discussions, workshops, the review of domestic policies which are trade irritants, information exchanges, and adherance to our GATT obligations, will all assist in improving our foreign trade relations.

The provincial governments have a role to play in the development of good trading relations and as such, should be fully consulted on Canadian initiatives.

D. INTERFACE BETWEEN INDUSTRIAL AND TRADE POLICY

Canada's regional and domestic policies must take into account their implications for international trade and must ensure Canada's international obligations are met. (The reverse is also true, i.e. the impact of trade policy on domestic and regional economies must also be considered.) If efforts to expand trade are to be effective, domestic policies must be directed at encouraging international competitiveness and high productivity.

If Canada expects to extend long-term access to foreign markets, it must be receptive to the importation of foreign products and services. Where necessary for adjustment purposes, protectionist safeguard measures should only be implemented for a limited period, allowing time for adjustment, after evaluating the costs to Canadian consumers and producers, and the possibility of retaliation and the consequent impact on Canadian exports. The evaluation process and policy development should be done with public participation and understanding.

A close linkage exists between regional industrial, and trade policies. It is important that this relationship be recognized when developing these policies. The Western Provinces recognize the important role of regional development policies in assisting the achievement of more equitable distribution of employment and income in Canada. At the same time, domestic regional development policies and programs must be conceived and implemented in a manner that will encourage and reinforce international competitiveness.

1. Competitiveness

Competition in the international marketplace will continue to increase. It is essential Canadian companies be capable of meeting this competition. Canadian industries must recognize the importance of competitiveness and undertake the necessary steps to achieve and maintain it. At the same time, governments have a role to play by creating an environment which places Canadian businesses on a competitive footing with foreign companies. This may be achieved through the following:

- o reviewing and where possible minimizing the regulation of Canadian industries;
- o where appropriate encouraging the establishment of export consortia;

- o ensuring competitive financing (eg. export financing) is available for Western Canadian producers of goods and services; and
- o ensuring that domestic legislation and regulations do not create unnecessary trade barriers for Canadian companies.

Improving competitiveness and productivity both depend on a highly skilled labour force and the adoption of changing technologies. Also, to capitalize of future trade opportunities, it is essential that the necessary export training and export-related educational services be provided.

2. Productivity

Ultimately, Canadian competitiveness will depend on the efficiency of production and its cost effectiveness. Canadian industries must be fully committed to improving productivity. The adoption of new technologies, production and management techniques will provide long-term benefits to Canadian industries and assist them in capitalizing on international export opportunities. Industry and labour support to improve Canadian productivity is a requirement for the continued growth of Canadian exports.

3. Adjustment Assistance

Trade liberalization will have a positive impact on both production and employment in all nations involved. Therefore, an appropriate form of adjustment assistance is required to effect the structural changes brought about by the increase in international competitiveness. Over time, adjustment assistance should be phased out leaving industries which are internationally competitive.

Developing the assistance program will require consideration be given to:

- o ensuring the assistance is not provided as support to industries proven to be inefficient in the long run;
- o ensuring the transition period is clearly outlined for those industries involved;
- o ensuring federal/provincial cooperation and policy coordination; and
- o ensuring measures are taken to assist private industries and labour out of non-competitive sectors and into competitive sectors.

Adjustment assistance for infant or developing industries may also be required for a short period of time. The assistance would be provided with the objective of expanding trade opportunities and should have a clear cut-off date. Also, this assistance should not be provided in a way which violates the GATT or injures other domestic industries.

While adjustments may be concentrated on Central Canada, the Western Provinces also have protected industries and vulnerable communities, and therefore, will not avoid the costs associated with tariff reductions. Even in stronger industries, there will be a need for transitional assistance to take full advantage of trading opportunities.

V. FEDERAL/PROVINCIAL RELATIONS

Both the federal and provincial governments have a major role to play in fostering international trade including: trade policy; foreign relations; education; and industrial, regional and trade development. Therefore, federal/provincial cooperation and consultation is essential to ensure the development of productive and amicable relations with Canada's trading partners.

While the previous round of multilateral trade negotiations provided for some major tariff reductions in some areas, they did not meet all of Western Canadian objectives or expectations. The new round of Multilateral Trade Negotiations may be broader than the Tokyo Round and issues under provincial jurisdiction will be part of the discussions. This change will require greater participation by the provinces in the development of a Canadian position than occurred in the Tokyo Round; including provincial or regional representation on the Canadian delegation to in the multilateral trade negotiations.

VI. CONCLUDING REMARKS

Canada must resist protectionism and encourage its trading partners to do the same. Concentrated efforts must be made to reduce and where possible eliminate the current proliferation of non-tariff barriers and, in certain sectors, remaining high tariff barriers. Canada will lose in the long run if it institutionalizes protectionism. Maintaining the current protectionist climate indefinitely will only delay the inevitable adjustment to freer trade.

Canada should try to liberalize trade through the following initiatives:

- o encouraging a new round of Multilateral Trade Negotiations and playing a major role in them;
- o encouraging and entering bilateral trade negotiations where appropriate;
- o recognizing that trade is two-way by being receptive to other countries' exports; and
- o maintaining good trade relations, especially with its priority trading partners.

Canada must encourage Canadian companies to trade and create a favourable climate for Canadian companies to export. Methods which may assist in raising Canadian exports include:

- o eliminating domestic impediments to trading internationally;
- o encouraging the formation of export consortia and providing competitive export financing;
- o increasing the awareness of Canadian industry of the benefits of international trade;
- o ensuring Canada's overseas presence is sufficient, especially in the Asia Pacific Region where competition for the growing markets is strong; and
- o providing the environment which encourages Canadian industry to become and remain internationally competitive.

For either a multilateral or bilateral trade agreement to be effective, the broadest coverage possible is desirable. Therefore, Canada should encourage the full participation of new industrialized countries, developing countries, and less developed countries in the next round of GATT negotiations.

Effective consultation with the private sector will be necessary to ensure their priorities in the upcoming negotiations are reflected. Priority sectors in Western Canada for trade liberalization include: agricultural, resource, manufactured and processed products; and services. With respect to the next round of GATT negotiations, the inclusion of trade in agriculture and trade in services is considered to be extremely important.

Canada is in a critical stage in preparing for future multilateral and bilateral trade negortiations. All segments of the economy will be affected by trade liberalization. Western Canadian industries should follow any negotiations with the objective of understanding the impact of any changes on them. The Western Provincial Governments are confident that Western Canadian producers will respond favourably to trade liberalization.

Implementation of the policies and programs put forth in this paper will require full federal/provincial cooperation and consultation. The Western Provinces recognize the efforts of the Federal Government in this respect, but believe a greater, more directed process is required. The federal/provincial consultative process should include the following mechanisms:

- o Continued annual or semi-annual meetings of Ministers of Trade are required to establish trade priorities, identify areas for additional work and exchange information.
- o Regular intergovernmental meetings at the officials level should occur to continue the consultations and coordination at the "working level". Work on specific programs and joint decision-making on trade policy and programs should be included.
- o As required, task forces chaired by the Federal Government with provincial government representation, should be established to report on specific trade issues.
- o Increased federal/provincial cooperation in trade development activities is required. This would include the expansion of the current consultative process on Japanese and European Community relations, and increased provincial involvement in policy and program development with respect to the United States and the multilateral trade fora.

Efforts must be taken to increase public awareness of the importance of trade to the domestic economy. The various trade promotion activities directed at Canadian producers and consumers must be expanded. Additional emphasis must be placed on explaining the benefits of exports and the need to accept two-way trade.

International competitiveness and a high standard of living requires a skilled and well-educated labour force. As technology advances, the demand for workers who have business, scientific and technical skills will grow relative to those who do not. Efforts must therefore be made to increase the skill and education level of the labour force at all levels.

Education programs and institutions, such as the Asia-Pacific Foundation, should be promoted which support international trade relations. Since Canada's future industrial leaders will need to build on international trade opportunities, it is essential that the necessary export training and export-related educational services be provided.

Canada's future lies in the internationally competitive industries which build on Canadian natural and human resources. In the movement towards freer trade, an adjustment assistance program will be required. The program should be for a prescribed period only, providing time to undertake the necessary structural changes to become internationally competitive. The program should not protect non-competitive sectors, but assist in moving these industries into competitive pursuits.

APPENDIX I

Western Premiers' Conference
Kelowna, British Columbia
May 7 - 8, 1984

International Trade - New Directions Communique

Premiers from the four western provinces, meeting in Kelowna, British Columbia, stressed the high priority of international trade. Canada is a trading nation whose future economic prosperity depends substantially upon maintaining and expanding international trade. Expanded trade is necessary for a sustained economic recovery and would assist in furthering job creation, resource upgrading and the diversification of the western Canadian economy.

The Premiers agreed that:

- Canada must make international trade liberalization a priority. International trade barriers affecting Canadian products, particularly agricultural and upgraded resource products, must be eliminated.
- Increased trade promotion and marketing efforts must be made, to take advantage of export development opportunities, including greater federal-provincial coordination and communication in trade fairs and missions.
- Expanded export marketing activities must be accompanied by more competitive export financing capabilities.
- Corporate export consortia, capable of competing with international firms, should be encouraged to promote our trade opportunities.
- Sectoral free trade discussions with the United States should be pursued to expand access to markets, including attention to sectors of specific importance to western Canada.
- The tremendous impact the dynamic Pacific Rim countries will have on Canada must be recognized. Trading relations with these countries must become a Canadian priority. To this end, the Premiers endorsed the progress made towards establishing the Asia-Pacific Foundation.
- Access to foreign markets for Canada's goods and services is vital to economic growth and prosperity. Canada must continue to resist protectionist measures such as imports quotas on automobiles and other non-tariff barriers. Trade is a two-way street, and Canada must be receptive to other countries' exports if it expects to export in turn.
- An economic climate which encourages rather than prevents international investment must be created. To foster this climate, unnecessary impediments to foreign investment must be removed.
- The provinces agreed that the development of duty-free zones in western Canada could play an important role in attracting investment and promoting exports. In noting the success of such zones in other areas of the world the provinces urged the federal government to act promptly on the reference to duty-free zones made in the federal Throne Speech of December 7, 1983.

General Agreement on Trade and Tariffs (GATT)

The Premiers welcomed the preparations for a new round of multi-lateral trade negotiations. They urged the Prime Minister to pursue this issue at the forthcoming economic summit conference in London on June 8 and 9. A new round of trade negotiations could address a wide variety of important tariff and non-tariff barriers to trade in both goods and services. Canada's priorities in this new round should be liberalization of trade in agricultural products and in processed resource products.

Recalling the contributions the provinces made to the Tokyo Round, the Western Premiers urged the federal government to ensure full provincial involvement in preparations for the next round of multi-lateral trade negotiations. In addition, they reaffirmed the position taken at the 1982 Premiers' Conference in Halifax that provinces be an integral part of the Canadian delegation to the next GATT ministerial conference sheduled for November 1984.

Provincial Role in International Trade

The Premiers took note of and welcomed the federal government's trade policy discussion paper released last fall. Given the importance of trade to the economic development of the western provinces, they called on the federal government to ensure full provincial involvement in the development of Canadian policies, priorities and strategies related to trade.

In addition to federal-provincial cooperation, there are initiatives that individual provinces can take. Examples include: Alberta's support of the Great Trade Show of China recently held in Edmonton; the development of special relationships such as the forthcoming twinning between Saskatchewan and the province of Jilin, China; and missions by Manitoba and British Columbia delegations to Pacific Rim countries.

The Premiers noted that the world will be coming to Canada for five and one half months in 1986 for Expo '86 in Vancouver. This World Fair will present a unique opportunity to demonstrate the extensive range of Canadian products and skills and will provide a major opportunity for enhancing international trade. Investors from around the world representing the key areas of transportation and communication technology will be in attendance. Significant commitments to participating in the Fair being sponsored by British Columbia have been made by all three neighbouring Western provinces.

Given the special trading relationships between Canada and the United States, provinces have a unique role to play in promoting and furthering trade between the two countries. Examples are meetings between Premiers and Governors; between Premiers, Congressmen and Senators; and the sponsoring of special seminars to promote Canadian economic opportunities.

The Premiers stated that the long-standing cooperation among western provinces in the area of trade development and trade policy should be further increased. The Premiers directed their ministers responsible for trade to explore new areas where western cooperation can take place, including:

- o assisting the private sector to collaborate in international bids;
- o collaborating on methods of increasing the export of services and provincial expertise;
- o the sharing of information on marketing opportunities; and
- o coordinating the western provincial position for the proposed new GATT negotiations.

APPENDIX II

HISTORY OF WESTERN COOPERATION ON TRADE

An agreement was reached by the Ministers of Trade of over 100 countries meeting in Tokyo in 1973, to enter into a round of negotiations to reduce tariff and non-tariff barriers. This raised the awareness of the four Western Provinces of the opportunities to improve their international trade positions. Following the Western Economic Opportunities Conference (W.E.O.C.) held in Calgary, Alberta in 1973, the Western Provinces outlined to the Federal Government the importance of freer international trade to western economic development, and the Western concerns with the Canadian tariff structure, and its impact on trade.

Federal/provincial discussions on trade issues were initiated at the W.E.O.C. The need to more clearly outline western objectives and views was recognized and a series of position papers on international trade were developed by the Governments of British Columbia, Alberta, Saskatchewan, and Manitoba.

- In 1975, a joint brief was submitted to the Canadian Trade and Tariffs Committee. The brief outlined the Western commitment to freer international trade which would improve market access for producers and to lower costs for consumers. The recognition by the Western Provinces of the importance of two-way trade was clearly outlined.
- Position papers entitled "The Agricultural Sector in Multilateral Trade Negotiations" and "The Industrial Sector in the Multilateral Trade Negotiations" provided detailed information on priority industries, products, markets, and tariff and non-tariff barriers from a Western perspective. Premier Lougheed of Alberta, on behalf of the Western Premiers, formally presented the reports to the Prime Minister; the agricultural document in 1976 and the industrial document in 1977.
- In 1977 at a federal/provincial conference on the Multilateral Trade Negotiations, the Hon. Donald Phillips, British Columbia Minister of Economic Development, presented a joint Western statement on trade issues. The statement emphasized the Western commitment to reduced protectionism and the importance of freer trade to a stronger Canadian economy.
- At the 1978 Western Premiers' Conference in Yorkton, Saskatchewan, a paper entitled "Western Trade Objectives" was released. This paper outlined the Western Provinces' position on international trade emphasizing the upcoming multilateral trade negotiations.
- In addition, in 1978, the Western Provinces submitted specific position papers on a number of non-tariff measures under discussion by the General Agreement on Tariffs and Trade in Geneva. The issues included: government subsidies and countervailing duties, safeguards or emergency quotas on imports, government procurement practices, and customs valuation methods.

After the conclusion of the Tokyo Round of Multilateral Trade Negotiations, the Western Provinces, in 1980, released a paper entitled "An Evaluation of the Impact of the Tokyo Round on the Multilateral Trade Negotiations on

Western Canada". Trade has remained a major item of discussion in the annual meetings of the four Western Premiers. The objective of the discussions has been to open and explore new avenues for the expansion of economic activities in the West through international trade. Most recently, at the Western Premiers' Conference in Kelowna, British Columbia, May 1984, the Premiers issued a major communique on international trade. The cooperation of the Western Provinces has continued. This united effort has provided for a greater presence than each province could attain individually. The cohesion has encouraged the Federal Government to give greater consideration to Western Canadian concerns and objectives. This cooperative effort in trade has also served as a stepping stone for improved interprovincial and federal/provincial consultation in trade policy and development.

APPENDIX III

TRADE PATTERNS

Western Canadian trade patterns for the five year period 1980 to 1984, indicate that raw materials and fabricated products constitute the majority of the exports. Wheat, natural gas, crude petroleum, softwood lumber, and wood pulp were the major exports; all having an annual export value of over $2 billion.

Manufactured products constitute a relatively smaller portion of total Western Canadian exports, but have been growing in value over the years. For example, office machines and equipment exports increased by 242% during the five year period while the level of exports is relatively small; $122 million in 1984. Communication equipment exports increased by 56% during the same period.

Growth in raw material and fabricated exports also occurred during that period. Sulphur exports grew by 58%, fruit and vegetables by 49%, and organic chemicals by 326%.

The United States remained the largest market for Western Canadian exports from 1980 to 1984; accounting for over 61% of total exports in 1984, a value of $18,729 billion. Japan was the second largest export market followed by other Asia/Pacific Rim countries combined, and the European Community.

The value of exports to the United States during the period increased by over 31%. The importance of other markets grew even more significantly with the value of exports to South America and the Asia/Pacific Rim region (excluding Japan), rising by 51% and 65% respectively.

THE MAJOR EXPORTS OF WESTERN CANADA
1980 - 1984
(in millions of dollars)

	1980	1981	1982	1983	1984
Agricultural					
Wheat *	3,795.8	3,723.4	4,285.7	4,647.7	4,709.7
Canola (Rapeseed) *	421.9	464.5	419.3	433.2	648.5
Fish	309.8	410.2	374.8	392.9	410.1
Barley	208.5	477.9	430.2	382.2	345.9
Animals & Meat Products	230.3	246.9	344.2	314.1	505.2
Fruit & Vegetables	75.3	102.0	116.9	112.0	117.7
Crude Materials					
Natural Gas	3,983.8	4,370.1	4,754.9	3,958.2	3,886.4
Crude Petroleum	2,899.1	2,505.0	2,728.5	3,446.6	4,373.2
Coal & Crude Bitumen	896.4	1,099.5	1,193.5	1,232.5	1,810.5
Metal Ores, Concentrates & Scrap	1,128.2	986.3	817.6	729.6	800.9
Sulphur	524.3	799.0	716.7	570.2	827.8
Fabricated Materials					
Softwood Lumber	2,564.3	2,020.8	1,917.4	2,743.8	2,803.2
Wood Pulp	2,239.1	2,107.4	1,843.3	1,736.5	2,152.2
Potash	933.5	983.1	734.9	828.0	1,110.1
Aluminum, Zinc & Silver	784.9	689.7	693.8	617.2	780.7
Newsprint Paper	573.5	573.2	601.2	607.9	687.9
Organic Chemicals	134.4	208.1	220.9	423.5	572.4
End Products					
Motor Vehicles	220.7	301.0	241.3	230.7	370.3
Agricultural Machinery	225.2	290.5	254.3	195.4	267.3
Drilling, Excavating & Mining Machinery	125.4	454.1	309.1	120.3	141.9
Office Machines & Eqpt.	40.0	45.0	66.5	119.4	137.0
Communications Eqpt.	34.3	53.5	83.3	93.7	122.6
WESTERN CANADIAN EXPORTS **	23,800.0	25,574.2	24,953.4	25,867.5	30,532.5

* Total Canadian wheat and canola exports were used to represent Western Canadian exports as most of the prairie exports go through Eastern Canadian ports.

** This is a total of all British Columbia, Alberta, Saskatchewan, and Manitoba exports - and not a sum of the above commodities.

Note: Western Canadian exports, particularly those of Saskatchewan and Manitoba, may be underestimated due to deliveries through Thunder Bay and other eastern ports. As a result, some of the exports listed above, and the total Western Canadian exports, may be understated.

WESTERN CANADIAN EXPORTS BY REGION
1980 - 1984
(in millions of dollars)

	1980	1981	1982	1983	1984
Western Europe	2,572.5	1,770.0	1,886.5	1,752.4	2,072.5
Eastern Europe	97.1	93.1	117.9	35.6	64.8
U.S.S.R.	398.5	697.1	723.3	564.1	402.5
Japan	3,571.4	3,787.8	3,712.2	3,727.3	4,458.9
Other Asia/Pacific Rim	2,083.0	2,418.8	2,475.4	2,647.2	3,431.5
Middle East/N. Africa	81.7	98.2	123.7	104.6	362.3
South America	305.4	376.5	275.4	257.0	460.6
Central America/ Carribbean	191.4	227.2	155.5	184.3	239.9
United States	14,220.5	15,774.9	15,161.2	16,088.1	18,729.2
TOTAL	23,800.0	25,574.2	24,953.4	25,867.5	30,532.5

Note: Western Canadian exports, particularly those of Saskatchewan and Manitoba, may be underestimated due to deliveries through Thunder Bay and other eastern ports. As a result, some of the exports listed above, and the total Western Canadian exports, may be understated.

Source: Statistics Canada